



*United States Attorney  
Southern District of New York*

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**LAWYER CONVICTED ON FEDERAL WIRE FRAUD CHARGES**  
**IN A \$100 MILLION BOGUS INVESTMENT SCHEME**

JAMES B. COMEY, the United States Attorney for the Southern District of New York, announced that STEPHEN MALES, Jr., New Hampshire lawyer and law professor, was convicted last night in Manhattan federal court of 11 counts of wire fraud stemming from MALES' participation in a scheme to induce a money manager to invest more than \$100 million in a sham investment program. The conviction followed a one-week jury trial before United States District Judge LEWIS A. KAPLAN.

According to the Indictment and the evidence presented at trial, MALES, an attorney residing in New Hampshire, repeatedly attempted to persuade an undercover FBI agent posing as an investment fund manager to invest in a medium-term note trading program ("MTN"). The evidence presented at trial established that MALES solicited a commitment from an undercover agent to make available approximately \$164 million to facilitate obtaining lines

of credit for investment, by falsely promising, among other things, extraordinarily high rates of return, with little or no risk, within a relatively short period of time. In fact, according to the Indictment and trial evidence, as MALES well knew, there was no such investment trading program.

According to the Indictment and trial testimony, MALES claimed to be the attorney for The Bailey Group, the entity that acted as the "Asset Manager" responsible for managing the MTN trading program. According to the Indictment and evidence presented at trial, in an effort to obtain access to \$100 million or more, MALES falsely represented that he was in direct contact with the investment programs traders, who he called "Tier 1" and "Tier 3," and he pressed for both to be added as signatories to the investment account.

MALES also falsely claimed that under the trading program the investor would earn a minimum of 100% gross profit per week for 40 weeks with no risk to principal. MALES stated that he had personally participated in the MTN investment trading program and had made substantial profits for himself and for clients through the trading program. As the trial evidence established, MALES well knew that the entire trading program was bogus and had not paid any profits to MALES or any other clients.

According to the evidence, MALES also misrepresented that a portion of the profits made from MTNs would be disbursed to humanitarian causes under the auspices of the International Monetary Fund ("IMF"), when, in fact, and as MALES knew, the IMF

does not sponsor or have any involvement in any private investment, including the program that MALES was attempting to promote.

According to the Indictment and the evidence presented at trial, MALES insisted that two program "traders" be added as signatories to the investment account that MALES believed held \$164 million.

MALES, 50, who resides in Dover, New Hampshire, faces a maximum sentence of 20 years in prison for each of the 11 counts of which he was convicted, and the greater of \$250,000 fine or twice the gross gain or loss resulting from the crime.

Sentencing is scheduled for February 20, 2004.

Mr. COMEY praised the efforts of the Federal Bureau of Investigation, which conducted the investigation.

Assistant United States Attorneys JANE A. LEVINE and JONATHAN R. STREETER are in charge of the prosecution.

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